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This is the letter we were
looking for the other day. You
might want to file it.

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DCI met
w/ Dr. Selin
on 10 Feb 88
w/ Doug MacEachin,
D/ SOVA

American Management Systems, Inc.

Ivan Selin
Chairman

January 13, 1988

The Honorable
William Webster
Director
Central Intelligence Agency
Washington, D.C. 20505

Dear Bill:

One of the advisory groups that you have inherited is the Military-Economic Advisory Panel (MEAP), whose general charter is to advise the DCI on all economic, military-economic, and some military issues related to the Soviet Union and the Warsaw Pact. Although the bulk of our work is carried on directly with the office of Soviet Analysis (SOVA), we take seriously our charter as advisors to the Director of Central Intelligence. At the Panel's next meeting in May there will be a request for you to meet with us; in the interim I would like to acquaint you with our work and several particularly interesting issues.

In practice our charter is implemented via working arrangements with SOVA analysts in the general areas of economic, political and military analysis (excepting the order of battle estimates), with occasional excursions covering some of the work of other related organizations (DIA, Office of European Analysis, and other offices under the Deputy Director for Intelligence). Within these broad areas the most central topic that we cover is Soviet military expenditures and their interaction with the rest of the economy.

Soviet questions often arise about the value of estimating Soviet military expenditures, whether in rubles or in dollars, and of making comparisons with U.S. military spending or with the over-all Soviet economy. Members of the MEAP, plus others, prepared a report in 1983 analyzing the reasons for doing these estimates and the uses to which they are put. At some future date you may find this report worth reading.

Our Panel also reviews much of the Agency's work on more general Soviet and East European issues, and serves as a point of contact between the Agency and the academic community of economists and political scientists. In the latter capacity we have long lobbied the Agency to make available more of its analytical work on an unclassified basis, and to circulate such work more widely. I'm sure you will see this theme repeated and amplified in future correspondence.

DCI
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One other topic that we have emphasized for a long time is the necessity of integrating the political analysis with the military and economic analyses. We have no current complaints on this account, but it is not an easy or natural integration and therefore requires continued attention.

Our relationship with the Office of Soviet Analysis is excellent and mutually productive, and we have also had good ad hoc cooperation from other offices in the Directorate of Intelligence. We are, however, uncomfortable about our role in the intelligence community outside of CIA, particularly with DIA, with whom our relationship is intermittent and generally marginal. DIA expends considerable effort in the field of Soviet bloc military economics and has developed certain areas of expertise, but the effort is still imperfectly coordinated with that of CIA. Neither is DIA held accountable on a comparable basis to DCI standards. Our relationship to the DIA may also be a topic we will raise with you in the spring.

I should report to you that the Soviets themselves are starting to express an interest in measuring their resource allocation to defense in terms more reflective of real cost than the artificial prices that they currently use. This development is connected with a major reevaluation of the Soviet price structure, scheduled to take place over the next three years. Preparation for this set of changes will pose a strong challenge to CIA analysts, but we should also allow for the possibility of some interesting exchanges of data between the U.S. analysts and their Soviet counterparts.

Finally, we observe that the Soviets are clearly going through a transition in their military program, in large part related to the Gorbachev reforms and the various major arms control initiatives under official discussion. In such periods of change and instability it does not suffice for the intelligence community to make its best guess as to what the future will bring, because no one can be very confident of any particular estimate. It is also necessary to define several alternative scenarios and identify in advance the signs which could be expected if one of these scenarios were actually to take place. This will also be a topic for discussion at the next MEAP meeting in the spring.

Cordially,



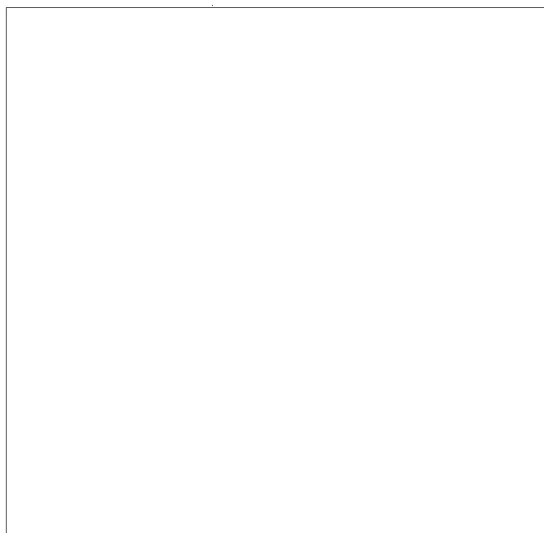
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